

After the Crisis: Why Political Science and European Studies Need to be Concerned

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The launch of new intellectual initiatives is always a moment of great promise, especially in the case of one that aims to showcase the work of graduate students. Scholarship pushes forward not because established scholars explore new boundaries but because the scientific community is constantly infused with new generations of scholars and ideas that force us to look closely at what we thought we understood. The aim of advanced research is not to work closely with established experts, finding new ways to repeat and confirm established arguments. Rather, it should challenge what we know, pushing the scientific community to look for new frontiers of knowledge. This journal is a welcome venue for this venture and adventure.

It comes at a time of great turmoil in politics, at both the domestic and international levels. The current global economic crisis is both a symptom and cause of great transformations in the economic and political order of the last half century. This is especially the case with the European Union. 2010 was supposed to be its breakthrough year. After nearly a decade embroiled in a seemingly endless debate about institutional reform, the EU could look to the Lisbon treaty as the map to guide its way through internal politics and even a central position on the global stage. The first signs of the global financial crisis seemed to confirm Europe's approach to economic governance and placed it in a position to be the model for transnational governance on a global scale. The Copenhagen summit on climate change had the potential to put into relief the EU's global leadership and its normative power. Yet

as a new year begins, not only were the lofty aspirations dashed, but a serious crisis of confidence has sunk into the EU. Even measured political leaders have mused openly about the future of the single currency and of the EU itself.

We have read and heard a great deal about the volatile economic climate of the last three years; there is no reason to try to repeat it here. But in order for us to understand what it means for how we study the EU and more generally contemporary politics, it is worth while to stop briefly to examine what were its major manifestations. While the more enduring effects of the last few years are yet to be determined, there is a lingering sense that nothing will be like it was before. This raises a number of challenges for those who study the EU. A quick glance at the major journals and books in recent years provides scant evidence that the EU would run into the problems that it did in the recent economic crisis. Could this be the equivalent for EU studies of what the sudden end of the Cold War meant for international relations? How did the EU go from being seen on the precipice of assuming a role as a global leader to the current crisis of confidence? More importantly, why did scholarship on the EU not see it coming? Political scientists have enjoyed the discomfort of economics in the wake of the economic crisis, with its certainty about economic models shaken. But we too need to take a closer look at what we took as a certainty.

The global economy, and to lesser extent Europe's, had experienced a period of strong relative growth in the first decade of the new millennium. Low borrow-

ing costs, emerging economic powers (China's admission to the WTO in 2002 was an important milestone) and expanding commercial and financial markets were just a few of the factors that led to optimism that the new economy would be free of turmoil and instability. The development of new financial instruments was supposed to provide ways to reduce uncertainty in markets by pooling different forms of risk. Cheap and available credit helped governments struggling to keep public finances under control (without having to make difficult decisions) just as much as it fuelled housing booms in the United States, Ireland and Spain. All seemed to be moving along smoothly with few signs of trouble on the horizon or reported in the scholarly journals.

It was easy to see the crisis as primarily an American problem when the first signs of trouble emerged in 2007. American consumers had been on a spending binge for most of the decade and its banking system had engaged in activities that could be described, at best, as highly risky. European banks, often seen as too conservative and stodgy, suddenly seemed like solid, safe havens. Indeed, more than one commentator and political leader began to speculate that Europe's moment had come, with the euro possibly becoming the global reserve currency. Yes, the downturn in the American economy might cause some disruption but few, in the early months of 2008, expected that the EU would be shaken to its core within two years.

There are too many steps and phases between the optimism of a few years ago and the aftermath of the sovereign debt crisis to mention here. We can simply say that there were two phases to the crisis. The first was primarily the reaction to the financial crisis in the United States in late 2008 and early 2009. What is striking in this first phase is how the immediate reflex by member states, after nearly twenty years of the single market and a decade of the single currency, was to save national banks and industries. From the unilateral decision by the Irish government to protect all of its depositors to the French government declaring that any aid to automobile manufacturers would be only for plants located in France, the logic of even a coordinated European response was lost in the scramble to protect national interests. But the problems of this first phase were only a hint of what was to come when the crisis entered into its second phase at the end of 2009. The admission by the newly elected Greek government in October 2009 that previous deficit targets had seriously underestimated borrowing requirements set

off a ripple that soon became a wave. What emerged was a consensus that there were serious structural imbalances in the governing of the European economy. This refers not only to the flows of capital within the eurozone but also to the fact that the single currency did not have the political tools to deal with a sovereign debt and fiscal crisis. After a decade of arguing over the weight of votes in the Council or whether a new figure responsible for foreign policy would launch the EU as a global actor, Europeans discovered that the real institutional reform that they needed was to create a means to transfer funds from member states that had saved to those that were spendthrift. More importantly, it was also quite clear that there was little public support for such a move amongst those countries that had their financial houses in order.

There are a number of lessons that we may draw from the last three years that should lead us to think about the way we understand the EU and global governance in general. First, almost from its first signs in 2008, the economic turmoil revealed that economic nationalism remains part of the cognitive map of policy-makers in the member states. Conventional wisdom holds that the last sixty years dedicated to the creation of a European economic space had created levels of economic interdependence that negated the appeal of economic nationalism. This is a tenet that is widely shared amongst policy-makers as well as proponents of neo-functionalism and institutionalism. The argument is based on the premise that integration has brought about a transformation in the formation of interests so that key actors cannot distinguish national economic objectives from those of the EU. The early reaction to the first signs of serious troubles across the Atlantic challenged these assertions. Member states quickly took measures to prop up their own banks and issue guarantees to protect their depositors, even after agreeing that they would not do so at a summit in October 2008. The beggar-thy-neighbour policies continued with various stimulus packages that were introduced and were very much part of the critique of Germany in the second phase of the crisis. This is not to say that protectionism has returned to Europe but that we need to assess to what extent how much "Europeanization" has taken place. Despite twenty years of "convergence" criteria, benchmarking, open method of coordination and the like, the economic crisis laid clear that European economies remain fundamentally different with respect to policy outputs and outcomes. The fear that it would be hard to hold

together a union with so much diversity may become more real than many would hope. Convergence was seen as necessary not only to avoid the fiscal imbalances of the last decade but also to ensure that there would be the necessary political and public support for any corrective measures.

Second, central to the post-war European story has been Germany's transformation from being at the centre of instability in Europe to its role as the anchor of a European polity. This was enshrined in the Maastricht treaty when, in the wake of German reunification, the Federal Republic took the bold step of committing itself to the creation of the single currency, thus abandoning the symbol of Germany's post-war recovery. Tied to this narrative of a European Germany were the central pillars of Germany's economy that supposedly looked to Europe for accessible markets for its goods and services. All this contributed to the conventional wisdom that German and European interests were indistinguishable. Events over the last two years have revealed that perhaps Germany did have a national interest after all, and that it might be distinguishable from what the rest of the EU wanted it to be. Chancellor Angela Merkel was criticized for not showing adequate "leadership" (that is, not accepting the conventional wisdom of a European Germany) and pandering to domestic political pressures. Surveys consistently show that German public opinion is opposed to any form of transfers to peripheral countries facing sovereign debt problems. The German media has picked up on this theme, which has served to tighten the Chancellor's room to manoeuvre. Also constraining Germany's ability to seek out new forms of economic governance is the increasingly vigilant role assumed by its constitutional court, which has sent clear and unequivocal messages that any further transfers of powers to the EU level would require broad consensus within Germany. More immediately, it was considered likely that the Court would strike down any new structure that smacked of a permanent mechanism to bail out member states in the eurozone. Major changes require re-opening the Treaty, and after the battles that eventually led to the Lisbon treaty, Germany is not the only member state that would have preferred not to kick that hornet's nest.

But perhaps the greatest challenge to the notion of a Germany firmly tied to and by the EU is that perhaps its interests are drifting in a different direction in a rapidly changing global economy. The percentage of German trade that is tied to Europe has been de-

clining steadily the last decade. Moreover, its recipe for success in the last decade – wage moderation and structural economic reforms – has proven hard to implement in many parts of the eurozone. It would be difficult to convince German voters that they help bail-out their partners after they have been told by their leaders that wage moderation and welfare state restructuring was the price to be paid for competitiveness in the global economy.

Third, it is early days yet but the all the attention paid to institutional change and the Lisbon treaty has been disproportionate to its impact. Meant to bring citizens closer to the Union and to rationalise decision-making, it provided neither during the crisis. If anything, what was brought into relief was that the EU institutions were largely on the sidelines, including the ECB to a certain extent. More importantly, it also became evident that the sorts of instruments to address the structural imbalances mentioned above would probably require yet more treaty reform. They also will, in all likelihood, make EU decision-making more opaque with even greater distance between citizens and the decisions that affect them. For instance, the introduction of a "European semester", whereby member states present their national budgets to their partners even before their national assemblies is surely going in the opposite direction that was hoped for when the process started in Laeken in 2001.

What does all of this tell us for research in international politics and especially for graduate research? First, it suggests that scholars, like generals, almost always are fighting the last war. Our ways of understanding phenomenon are shaped by what has happened, with the temptation tick with our cognitive frameworks even in the face of different conditions and circumstances.. For instance, a constant refrain that was heard during the last two years is that European integration has always been pushed ahead by "crisis". Even if this were the case (and this is a debatable point), it tells us little as to why this crisis happened the way that it did, at this point in time and because of what factors. In other words, it alerts us to the need to be aware that we need to find a way to balance contingency with structure in our understanding of politics.

Second, the events of the last few years are a useful reminder that we should heed Philippe Schmitter's warning that any theory of European integration also needs to be able to account for disintegration. Our main frameworks for understanding the EU – inter-governmentalism, institutionalism, and even con-

structivism – could not account for the possibility that the EU in 2010 was not the same one that the academic journals had been reporting for the last 15 years. We could accept the argument that recent events are simply more of the same “muddling through” and that this has been the way that the EU has gone ahead throughout its history. This means accepting that the context in which the main actors have to operate has not changed; that the EU’s internal dynamics operate in a vacuum unaffected by broader global developments. This points to the challenge of finding the balance between the domestic and international levels,

between the instruments of comparative politics and international relations.

Finally, the global economic crisis, along with the challenges presented by climate change, energy, food and so on, points to the need for this type of journal to breathe new life into our understanding of the world. It highlights the need to find the balance between established ways of thinking and finding venues for new ideas that push the frontiers of knowledge. Pushing boundaries is always fraught with risk; but I am sure that readers of this journal will conclude, upon reading the work of young scholars, that it is a risk worth taking.